COMPANY NEWS

Cloud, A.I. and new possibilities for finance

For many financial institutions – the incumbents – the tech wave has often seemed overwhelming. And the pace of breadth of change is unprecedented. But banks, asset managers, brokers and, insurance companies are increasingly finding opportunities.

New business models are creating new opportunities to massively expand the pie, with cloud computing among the most vital of these foundational technologies. Here is a sample of some of the most interesting updates DigFin caught during Day Three at the Singapore Fintech Festival.

Wholesale markets going digital

Kate Birchall, head of Asia Pacific at clearinghouse LCH, says technology is now taking over from regulation as the main driver of change in interbank markets for derivatives and finance. Post-2008 financial crisis, banks have been consumed with new regulation, but now they are implementing new technology to comply more efficiently. "Banks keep cutting costs in processing and in reconciling trades. Tech is now at the forefront of trading at the institutional level much more cost-effectively."

Kelvin Tan, head of innovation for treasury and markets at DBS Bank, said, "One of the least value-added activities banks do today is reconciliation." Right now the focus is on deploying artificial intelligence to improve the situation. Over the longer term, institutions may adopt blockchain to eliminate reconciliation altogether, or at least standardize processes to make them manageable.

More technology companies such as SmartStream Technologies are providing services to help financial institutions grapple with the challenges of reconciliation.

SmartStream offers its TLM OnDemand, the market-leading functionality of its TLM solutions through secure, resilient, cost-effective and fully managed web-based services. "TLM allows middle and back offices to process transactions," said Haytham Kaddoura, SmartStream’s CEO. "Clients gain a lower total cost of ownership for their operations, while at the same time improving risk control throughout the transaction lifecycle."

BNP taps IBM for hybrid cloud

Bernard Gavagni, group chief information officer at BNP Paribas, says the bank is working with IBM to find a path to migrate what it can to the cloud while also continuing its legacy systems work. "My challenge is running legacy system with cloud, securely," he said.

Migrating to cloud is not as cheap as advertised for banks that need to keep using their mainframe servers; instead it’s an added cost. And having some data computed on prem and other data with a vendor can leave banks exposed to attack, as happened earlier this year to Capital One. So in summer 2020, BNP Paribas will go live with part of its data on IBM’s public cloud but with the servers on the bank’s premises. So the bank benefits from having a big tech vendor, as it continuously upgrades its cloud security and service, while also keeping client data protected internally.

Bernard Gavagni, BNP (2nd from right) & David Hudson (middle), with Pauline Wray, Jonathan Larson, & Rico Usthavia Frans

Mark Johnston, head of security and networking specialists in APAC at Google Cloud, says financial institutions are becoming savvier users. "The industry is moving beyond cloud as ‘infrastructure as a service’ to a ‘platform as a service’," he said.

For example, one institution is using Google Cloud computing to reduce calculating daily liquidity positions from eight hours to 30 minutes. If more banks follow suit, it creates a sea change in how they can manage their liquidity risk as well as report it to regulators, especially once they add data analytics on top.

Alan Jones, business solutions director at SmartStream Technologies, says as banks continue to embrace cloud computing, it brings down the costs of difficult manual work such as corporate actions processing.

Standards, standards, standards

As banks and fintechs innovate, they are creating new complexities. Competition is good for the end user but it also creates so many platforms, protocols and networks that innovation can be at risk if the industry doesn’t develop standards for interoperability and benchmarking.

“Collaboration requires open, interoperable standards, with so many new players in the payments industry,” said Chris Clark, regional president at Visa.

Johan Toll, head of digital assets at Nasdaq, noted his company delivers its technology to over a hundred markets. "How to increase interoperability among them?" he asked. Two solutions: moving more services and data into the cloud, and using A.I. to improve how firms view and analyze that data.

David Hudson, J.P. Morgan’s global co-head of digital and platform strategies, said adopting such technologies aren’t really about cost savings, but to enable big institutions to be agile and to drive standardization. "There’s always a ‘new something’ so our ability to move fast with the times is essential," he said.